

Minutes of the Audit and Risk Committee

12 November 2018
at Fire Service Headquarters, Vauxhall Road,
Birmingham B7 4HW

Present: Councillors Miks, Jenkins, Craddock, Dehar
and Mr Ager (Independent)

Apology: Councillor Iqbal, P Farrow, M Griffiths,
K Shoker

49/18 **Declarations of Interest in contracts or other matters**

There were no declarations of interest.

50/18 **Minutes of the Audit and Risk Committee held on 4 September 2018**

The Independent Member requested a change to Minute 44/18 and requested that the third paragraph on page 8 be amended. The minutes were amended to this effect and changes made to copies on CMIS.

Resolved that the minutes of the meeting held on 4 September 2018 be approved as a correct record.

51/18 **Treasury Management Mid Year Review 2018/19**

The Authority approved its Treasury Management strategy as part of the Budget setting report in February this year.

The Authority is required to produce a mid-year review report of its Treasury Management activities and request that Members approve its updated prudential and treasury indicators for 2018/19.

The key Treasury Management indicators to note are:

1. Capital Expenditure

The Authority approved a £13.3m capital programme for the current financial year at its meeting in February. This has since been updated to reflect the outturn position and financing decisions for 2017/18. The forecast outturn as at 30th September for 2018/19 is £13.8m. The increase, which has been reported at the Authority meetings, is mainly due to slippage from the previous financial year.

No borrowing has been undertaken to finance any capital expenditure during the first half of the current financial year.

2. The Authority's Debt

The Authority's total external debt as at 31st March 2018 was £37.4m of which £34.2m is in respect of borrowing undertaken with PWLB and the balance £3.2m is in respect of the Authority's share of the Ex West Midlands County Council debt.

The estimated average rate of interest payable on this debt for the current financial year is 5.4%.

3. The Authority's Investment

As at 30th September 2018 the Authority's investments (i.e. its bank balance) was £65m, this is invested with Sandwell MBC as part of the pooling of bank accounts arrangement we have with them.

Interest is received on the Authority's average cash balance and is based on the average rate of return achieved by Sandwell MBC.

For the first six months this was 0.60% which compares favourably to the benchmark, which is the average 7 day LIBID rate of 0.45%

Further to a Member's enquiry, it was confirmed that the slippage shown on page 22 of the report was the difference between the revised estimated and the forecast outturn.

It was noted that the interest rate of 5.4% was high and a Member enquired if there was scope for paying off debts from the £65m in reserves and wondered how actively officers were pursuing better interest rates.

Officers confirmed that the interest rates had been agreed previously and any renegotiation of loans would incur severe penalties.

The Audit and Risk Committee requested a schedule of debts and loans and interest rates being paid for the next Audit and Risk Committee meeting.

The Chair confirmed that she had met with the Chair of the West Midlands Combined Authority Audit Risk and Assurance Committee and would be looking for the best returns on investments.

52/18 Audit and Risk Committee Update

The Auditor stated that his progress report was shorter on this occasion as the Financial Statements Audit had yet to commence and they were still in the planning stages, but were in discussion with management and these would continue until Christmas 2018.

An initial risk assessment to determine the Auditors Approach to Value for Money would be made in January 2019 and will be reported in the Audit Plan. The Auditor will report on his work in the Audit Findings Report and will give a Value for Money Conclusion by the deadline in July 2019.

After Christmas, the finance team would be invited to the Chief Accountants' Workshops.

The key focus for 2019 would be the move to the West Midlands Combined Authority.

The Annual audit fee letter for 2018/19 had been completed in April 2018.

The Auditor provided a Sector Update and links to detailed reports/briefings were provided.

The Auditor shared information on creating and operating a successful fire trading company and a link to the latest study report.

The DCFO confirmed that the Authority had set up the Business Safety Co Ltd., four years previously but this company was now dormant. The Authority were generating income through a variety of means including ICT services, Technical Engineering Workshops and training

The Auditor had discussed the key marks of success and the DCFO agreed to talk to the Treasurer about this.

One Member expressed his disappointment that the business development plan was not going forward as he felt the reputational aspects of the Fire Service would be huge and that there was a raft of things that the Service Badge could be used on to provide potential opportunities.

The DCFO confirmed that this had been looked at several times but stated that the Service found it difficult and gave an example of the problems experienced recently in obtaining £2,000 in sponsorship for the Rewards and Recognition evening.

Whilst accepting the opportunities to use the Fire Service Brand, the Service could not compete. The service had previously tried to provide Fire safety training for Marks and Spencer but could not provide the resources to deliver against a National contract

There is a lot of competition in the field of Fire Engineering and there is also the challenge of the Authority being the

enforcing body for the Regulatory Reform Order which could cause a conflict of interests when trying to bring prosecutions.

The Chair stated that Councils were in a different position in respect of Building Regulations and the Occupied Housing Act.

The Home Office were keen for fire trading companies, but did not provide any assistance in this area.

The Chair was concerned to see the comment from the NFCC on the latest Home Office Workforce and prevention statistics and the 23% reduction in the number of whole time firefighters over the last ten years.

The Authority had recently noted that it had 20% less support staff and 40% reduction in fire safety officers, however, there had been spate fire conditions in the Summer and more fire safety work required following the Grenfell Tower incident.

The DCFO stated that the challenge is providing evidence to central government to show the risks associated with the reduction in staff.

Members felt that The Mayor should be made aware of the decreasing number of firefighters.

In answer to a Member's enquiry, the DCFO stated that verbal attacks had taken place on fire crews as reported to the Scrutiny Committee, however, during the recent Bonfire Season, West Midlands had not experienced the same level of attacks that had been seen elsewhere in the UK.

It was confirmed that one body cam per crew was available but the wearing of body cams was voluntary. Cameras were also on appliances. This evidence could be used in prosecutions, however, it was noted that members of the

public also shared evidence of incidents filmed on mobile phones.

The Auditor drew Members attention to the CIPFA consultation on its plans to provide an authoritative Financial Resilience Index.

Grant Thornton had developed a Vibrant Economy app that sought to marry up the financial and non-financial statistics but was focused mainly on Councils.

53/18 Internal Audit Progress Report

The Committee noted an update report from the Internal Auditor on the progress and any issues arising from internal audit work undertaken so far in the current year.

The Internal Auditor outlined the process used to provide information to inform and feed into the overall opinion in the Internal Audit Annual Report at the year end.

The Internal Auditor identifies the Audit Universe which is developed from the risk register. The key financial systems are looked at and discussions are held with Directors and the Treasurer.

An Audit Plan is approved by the Audit and Risk Committee each year, who are responsible for covering risk for the Authority and ensure that risk is mitigated.

The Internal Auditor undertakes work throughout the year and progress is reported three times a year in the form of a progress report from the Internal Auditor.

Where appropriate each report that is issued by the Internal Auditor throughout the year is given an overall opinion based on the following criteria:

Limited
Satisfactory
Substantial

Each recommendation is categorised in line with the following:

Fundamental
Significant
Merits Attention

A summary of the work completed as at 30 September was provided. Two Audits had been completed in Procurement and Performance Management. Both had a substantial level of assurance.

Two areas of Accounts Receivable and Accounts payable were in progress. An update would be brought to the next meeting of the Committee.

The Internal Auditor also provides advice and guidance to the authority, CIPFA Audit Committee updates, reviews the Terms of Reference of the Audit and Risk Committee each March. The Internal Audit Plan for 2018/19 was presented to the Committee in March 2018, The Internal Audit Annual Report 2017/18 was presented to the Committee in June 2018 for comment and approval. The Internal Auditor assists the Chair of the Audit and Risk Committee in the preparation of the Annual Report.

The Internal Auditors continues to lead on the Cabinet Office's National Fraud Initiative and the Annual Fraud Survey and provide the main point of contact for the Authority for any investigational into potential fraudulent activity.

The Internal Auditor has a target of achieving an average score of 4 = good from the Service Quality questionnaire.

The Independent Member stated that he sat on two local authority Audit Committees and noted that the Audit and Risk Committee had only had occasion when it had received a limited score following an audit.

It was confirmed that ANA represents Audit Needs Assessment and the Internal Auditor agreed to amend the reports in future replacing dashes with zeros.

54/18 CIPFA Audit Committee Update

The Committee noted Issue 26 of CIPFA's Audit Committee update. The updates had been developed to support public sector audit committee members and provide a practical resource of those who support audit Committees.

Issue 26, September 2018, included CIPFA's Position Statement on Audit Committees in Local Authorities and Police, a briefing on topical issue and Audit Committee Training.

The Committee requested earlier sight of the updates to enable possible attendance on training courses. The Internal Auditor agreed to forward the Updates to the Clerk for early circulation.

Members were also encouraged to register as non-members of CIPFA.

55/18 Audit and Risk Workplan 2018/19

The Committee noted its Work Programme. It was noted that the meetings in June and July would fall under the West Midlands Combined Authority.

56/18 Topical, legal and regulatory issues

It was noted that the Governance and Transformation Committee were still working on the proposed structure for the WMCA and this would become clearer in January 2019. The Committee felt the Audit process should be clear, but agreed that this would be dependent on the Order and approval by the Mayor.

57/18 Training

The Committee received two presentations. One gave an overview of an effective and Audit and Risk Committee and also a presentation on Fraud Awareness. Both presentations were to be circulated to Members of the Committee following the meeting.

The meeting finished at 1122 hours.

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